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Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02
CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 /056 W
----------171123Z 063612 /21
R 170902Z JAN 77
FM AMEMBASSY MANILA
TO SECSTATE WASHDC 4956
AMEMBASSY TOKYO

C O N F I D E N T I A L MANILA 797

E. O. 11652: GDS
TAGS: EPAP, RP
SUBJECT: RONNIE VELASCO CONTINUES TO GO AFTER THE TIRE INDUSTRY

REF: MANILA 18593

SUMMARY. RONNIE VELASCO IS CONTINUING HIS CAMPAIGN AGAINST THE TIRE INDUSTRY IN PURSUING HIS AIM OF BUYING CONTROL OF GOODYEAR. THE TIRE INDUSTRY IS FIGHTING BACK QUIETLY BUT IS CLOBBERED IN THE MEDIA BY RONNIE. NEDA DIRECTOR GENERAL SICAT HAS ANNOUNCED THE DELISING OF THE TIRE INDUSTRY AS AN OVERCROWDED AREA, OPENING THE DOOR FOR NEW ENTRANTS. AS YET, HOWEVER, THERE ARE STILL NO OFFICIAL DELISTING, NO LOWERING OF TARIFFS FOR TIRE IMPORTS, AND NO ADDITIONAL AUTHORIZATIONS FOR TIRE IMPORTS. BUT LIFE IS UNCOMFORTABLE FOR GOODYEAR, GOODRICH AND FIRESTONE. END SUMMARY.

1. RONNIE VELASCO OF THE PHILIPPINE NATIONAL OIL COMPANY IS CONTINUING HIS CAMPAIGN OF HARASSMENT TO SOFTEN UP THE TIRE INDUSTRY SO THAT HE MIGHT FULFILL HIS WISH OF BUYING A SHARE OF HIS FAVORITE TIRE COMPANY, GOODYEAR. THE TIRE INDUSTRY (GOODYEAR, GOODRICH AND FIRESTONE) HAS BEEN QUIETLY FIGHTING BACK BY ISSUING PRESS RELEASES AND PHOTOGRAPHS WHICH PRESENT THEIR SIDE OF THE STORY, INCLUDING THEIR
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EXPORT ACHIEVEMENTS. THE MANILA PRESS HAS BEEN PRINTING THEIR RELEASES AND PHOTOGRAPHS, BUT THE TIRE COMPANIES ARE NO MATCH IN THE MEDIA FOR VELASCO, WHO COUNTERATTACKS AFTER EACH FAVORABLE STORY WITH ANOTHER BLAST (NEVER ATTRIBUTED TO HIM) AT THE MULTINATIONS.

2. ONE OF THE THEMES USED BY VELASCO IS THE INFERIOR QUALITY

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OF LOCALLY PRODUCED TIRES. THE GOODRICH EMPLOYEES UNION
COMPLAINED THAT SUCH AN ALLEGATION IS A REAFMATION OF THE
SKILLS OF FILIPINO WORKERS. IT ALSO FILED ITS VIEWS WITH
THE TARIFF COMMISSION, OPPOSING THE PETITION OF PETRON TBA
(PNOC SUBSIDIARY) FOR LOWER TARIFFS ON IMPORTED TIRES.
THE UNION ASKED THE GOP TO PROTECT THE FILIPINO RUBBER
WORKERS, THEIR FAMILIES, AND THEIR JOBS.

3. VELASCO HAS ENLISTED THE ASSISTANCE OF NEDA DIRECTOR
GENERAL GIRARDO SICAT, WHO SAID THAT THE TIRE MULTINATIONALS
PRODUCE AN INFERIOR PRODUCT WHICH CANNOT BE EXPORTED, HIDE
BEHIND PROTECTIVE DUTIES TO EXPLOIT THE DOMESTIC MARKET,
AND THE TIRE INDUSTRY MUST BE DELISTED FROM THE OVERCROWDED
INDUSTRY LIST SO THAT NEW INVESTMENTS COULD BE PERMITTED.
SICAT MADE THESE STATEMENTS AT HIS YEAR-END PRESS CONFERENCE,
AND HIS VIEWS HAVE BEEN GIVEN PROMINENT PLAY IN THE LOCAL
PRESS.

4. CURIOUSLY, THERE IS YET NO OFFICIAL DECISION WHICH
ACTUALLY DELISTS THE TIRE INDUSTRY, AND THE TARIFF COMMISSION
HAS NOT ACTED ON PETRON TBA'S PETITION FOR LOWERED DUTIES
ON FINISHED TIRE IMPORTS. THERE IS ALSO A PENDING APPLICATION
FOR AN EXTENSION OF APPROVAL FOR TIRE IMPORTS.

5. OBVIOUSLY, THE GOP IS NOT YET READY TO PLAY ITS TRUMP
CARDS AGAINST THE TIRE INDUSTRY, WHICH STILL HAS A FEW
FRIENDS IN THE GOVERNMENT, MAINLY IN THE BOARD OF INVESTMENTS.
BUT THEY ALL APPEAR TO BE LYING LOW, AS VELASCO'S WRATH
(AND CLOUT) ARE RATHER FORMIDABLE.
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6. IN THE MEANTIME, THE TIRE INDUSTRY IS TRYING ITS BEST TO
DEFEND ITSELF. ITS GREATEST FEAR IS THAT THE GOP WOULD
ACTUALLY DELIST THE INDUSTRY AND OFFER INCENTIVES TO NEW
ENTRANTS WHO THEN, BECAUSE OF THE TAX ADVANTAGES, COULD
GRAB A SUBSTANTIAL PORTION OF THE MARKET. THE OBVIOUS
THREAT WOULD LIKELY COME FROM A JAPANESE TIRE MAKER SUCH
AS BRIDGESTONE.

7. WE INTEND TO RAISE THE SUBJECT WITH SENIOR GOP ECONOMIC
OFFICIALS AT AN APPROPRIATE OCCASION TO SEEK CLARIFICATION
OF THE DIRECTION AND EMPHASIS WHICH THE PNOC CAMPAIGN WOULD
IMPART TO THE PHILIPPINE INVESTMENT CLIMATE. WE ALSO PLAN
TO EXCHANGE INFORMATION WITH THE JAPANESE EMBASSY. MEANWHILE,
THE TIRE INDUSTRY RUES ITS MISPLACED VOTE OF CONFIDENCE IN
THE MARTIAL LAW REGIME, DURING WHICH IT HAS INVESTED AN
ADDITIONAL 125 MILLION PESOS AND EXPANDED ITS CAPACITY
NOW LYING IDLE.
SULLIVAN

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Message Attributes

Automatic Decaptioning: X
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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
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Disposition History: n/a
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Subject: RONNIE VELASCO CONTINUES TO GO AFTER THE TIRE INDUSTRY
TAGS: EPAP, RP, US, GOODYEAR TIRE CO, (VELASCO, RONNIE)
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